



Hon. Robert T. Matsui

Member of Congress

www.house.gov/matsui/

Robert T. Matsui
Serving California's 5th District

FOR IMMEDIATE RELEASE
Thursday, May 16, 2002

CONTACT: CODY HARRIS
(202) 225-7163/(202) 225-0564

AN UNHAPPY ANNIVERSARY: BREACHING THE DEBT LIMIT ONE YEAR AFTER PASSAGE OF THE TAX CUT

WASHINGTON, DC—Today Congressman Robert T. Matsui (D-CA), joined Senators Jon Corzine (D-NJ), Richard Durbin (D-IL) and Mark Dayton (D-MN) to discuss the one-year anniversary of the passage of the Bush tax cut in the House, which coincides with the day when the federal government breached the \$5.95 trillion debt ceiling. Today, the Treasury Department will begin shifting funds from the Federal Employees Retirement System (the G-Fund) to general revenues in order to stave off the debt limit until June 28th. After that date, a scheduled Social Security payment will break the debt ceiling by \$100 billion. Treasury Secretary O'Neill has requested a debt ceiling hike of \$750 billion, but thus far Republican lawmakers have refused to pass one, fearing political consequences.

"It is ironic but not at all surprising that we're breaking the debt limit on the anniversary of the tax cut's passage in the House. It is, after all, this irresponsible fiscal policy that brought us to this point," said Matsui. "Even more ironic is the fact that Republicans are now happily invading the G-Fund to buy themselves one more month before the ceiling is completely breached. Many of us remember when Treasury Secretary Rubin used a similar maneuver in 1995. Republicans threatened impeachment."

In fact, Matsui cited a December 26, 1995 letter by Ways and Means Chairman Bill Archer, which stated, *"I believe that any continued effort by the Treasury Department to avoid the legal debt limit, absent a permanent debt limit extension in the context of a balanced budget agreement, would seriously undermine the constitutional balance of power."* Archer went on to warn Rubin of *"a constitutional and legal crisis precipitated by your action to circumvent the debt limit."* In a final irony, this letter was released by Archer's press secretary, Ari Fleischer, now President Bush's Chief Spokesman.

This anniversary marks one of the most stunning fiscal deteriorations in the nation's history as a \$4 trillion budget surplus evaporated. According to the President's own numbers, the tax cut accounts for 44% of the loss of the surplus, while revised economic projections account for only 36%. Other spending, including anti-terrorism costs, account for only 20%.

"The President's tax cut, passed one year ago today, has returned us to deficits and has raided the Social Security trust funds," said Matsui. "The real tragedy is that workers who believe their payroll taxes are going towards their retirement are being misled. This tax cut means that their payroll contributions are being funneled directly into the pockets of those who need help least. It's a massive redistribution of wealth from the middle class to the wealthy, and it comes at the expense of Social Security."

###